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MANAGEMENT ACCOUNTING

ASSESSMENT 1

LECTURER: WINIFRED SORIBE

MODILE CODE: LCBB5002

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Table of Contents

INTRODUCTION	3
MAIN BODY	3
Overview of company	3
Type of cost.....	4
Critical analysis	5
CONCLUSION.....	6
REFERENCES	7

INTRODUCTION

Management accounting is also define as managerial accounting, which is refers to the systematic procedure of providing information and resources to the managers in the decision making process. Management accounting is the aspect that is used by only internal team of the organisation and this is the only things which makes it different form the financial accounting. This has been associated with the financial informations and report such as invoice, balance sheet etc. that are provided by the finance department of the company to the management team so that this data can be used for better and appropriate decision, controlling over enterprise and planing for activities and developments(Abdusalomova, 2020). Cost is define as the monetary value which is pent by the company in order to produce something and to run all functions effectively. There are various type cost which is utilised by the company for generating higher income. The below report is based on Harriot hotel developed in 1941 by john D. Brockville, in current scenario it is an key player in hotel industry across the globe. This company has been using several fixed and variable cost that help in accomplish its goals with higher revenue. Moreover, business in the accommodation and food services in UK has been faced the decrease in footfall in the last days due to the impact of COVID-19.

MAIN BODY

Overview of company

Harriot hotel is an American based multinational hotel group which has been established by john d. Brockville in 1941. this is one of the key player and leader in the global hotel industry with key operations in the America, Europe, Asia and Africa. It has been used the aggressive expansion strategy which is financed by major international banks in order to get the rapid expansion of the business globally so that success and growth can be achieved effectively. But the due to the recently the covid-19 pandemic, the leading government of the several nations impose lock and has not allow people to move to different place which leads to the decrease in revenue of the company. The CEO of Harriot has made the statement during the annual general meeting that has been conducted virtually “this year is the worst year ever for the business”. However in order enhance the productivity and to make the business again on track, hotel has been maintain its expansion strategy while formulating strategies such they have been focusing on the increasing room capacity along with cost cutting strategy in order to reduce losses.

Type of cost

Employee wages: This refers to the compensation provided to the employees in return to their efforts in accomplishment of organisational goals. It is also defined as the fixed amount which is paid by the company in exchange for employee's services. Moreover as per the employment standard legislation has been stated that employees have to receive minimum wage in return of the work they have completed for the company (Johnstone, 2020). In this Harriot Hotel is providing 15000 wages to its employees which is 25% of revenue and this is cost which has been generating most of the revenue for the company.

Advertisement cost: This has been included in the management accounting which has been associated with promoting and industry, entity, brand, product and services. They have covered ads in print media, broadcast time, radio time and online venues along with direct mail advertisement. In this Harriot Hotel has been spending 7000 on advertisement in order to aware people about hotel and its brand name and higher customers base can be attracted. Which is the 12% of revenue as per the situation of pandemic this is very high.

Interest on loans: Interest is the price which has to be paid by the company to borrow money from someone else, it can be bank or any other investor. Bank expected to be paid in return to their service and the risk they take while lending money (Gunarathne, Lee and Hitigala Kaluarachchilage, 2021). This reflects that company has to pay back the money which they borrowed along with some additional money which is known as interest. Hotel has been taken loan and need to pay 10000 as interest and this is the 17% of revenue as this fund is used for the expansion and strategies which help company in to generating higher profit.

House keeping and cleaning supplies: Housekeeping is defined as the management duty and responsibility which is associated with the cleaning, cooking, maintenance etc. and this is the most important duty within the hotel industry as there is a separate department for the housekeeping staff (Fleischman and McLean, 2020). In which they have need various equipment that has been used by the hotel for maintaining cleanliness and hygiene in order to attract more of the customers. In this hotel is spending 5000 for cleaning supplies and this 8.3% of revenue.

Customers discount: This is defined as the strategy which is used by the company in order to increase the customers base and sales. With help of strategy will successfully obtain loyal customer base for the longer period of time. For providing discount to the customers, company need to cut its profit for the product and services. In this hotel cost for discounting customer is 8000 that is 13.3% of revenue which is moderate as to bring the business on track this is effective strategy.

Stationeries: In hotel industry, interior is the most important thing as this has been increase the customer satisfaction along with this, it also act as the benchmark for the levels of service, quality and comfort which has been expected by the guest(Ostaev and et.al, 2020). Front desk stationeries are also the part of this, in which it includes desk computer, register to record entries, exited antique pieces etc. through which customer feel the hotel quality and standards. For this company has been using 3000 cost which is 5% of revenue.

Critical analysis

As per the above analysis it is measured that company has been using the appropriate cost from which it has been getting the adequate revenue that is going to be contribute in the success of the company. For the critically analysis of the cost, PER methodology has been going to be utilise so that appropriate result can be gain along with its, advantages and disadvantages. In this PER stands for point- explain- relate.

Point: advertisement cost

Explain: In this harriote hotel, advertisement cost is 7000 which is 12% of revenue which is high, it reflects that company has been spending its 12% of revenue on advertisement is questionable as this is not needed at the time of pandemic situation as people will not going to visit hotel for longer period of time(FUADAH and et.al, 2020). This item of cost may be fixed or variable, in which this cost is need to be cut by not adding new method for advertisement. Company should continue with the existing method of advertisement until hotel did not introduce something new in its services. Moreover, it is necessary for the company on focus on its expansion strategy in order to obtain the growth and higher revenue so that business come on track again. Along with this, the existing advertisement which is essential to perform for making people aware about hotel is a fixed cost in nature.

Relate: This is necessary for the company to cut down its cost for advertisement as in the situation of the COVID-19 pandemic it is not essential for company because there is an lock induce by governments globally(DO and et.al, 2020). This will help hotel in to save its cost which can be used in other things that going to help in to enhance proficiency.

CONCLUSION

As per the above report it has been concluded that, management accounting is refers to the process which is associated with providing information and resources to manager for decision making. During COVID-19 uk hotel industry has been experienced the reduction in footfall sue to which revenue of hotel get decreased but after this, it is important for the company to use resources effectively in order to get the business on track again. Such as advertisement cost which need to decrease so that it can be used on other area.

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